

# **UK Pension Scheme Transparency Survey on Environmental, Social and Governance Issues**

**December 2007**

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00.01 hrs

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## Executive Summary

There is increasing UK public interest in the accountability of investors, as has been illustrated by recent controversy surrounding private equity and Parliament's decision to grant reserve power to the government to require disclosure of institutional investors' voting records<sup>1</sup>. The twenty occupational pension funds examined in this report are of particular public interest because they together own over £292 billion, or approximately one-third of all UK occupational pension fund capital, and have a membership of over 3.9 million people<sup>2</sup>.

Transparency and accountability on environmental, social and governance (ESG) issues are particularly important, as there is a rapidly growing recognition that taking these issues into account is important for increasing returns and managing risks which have the potential to damage not only the environment and human rights, but also pension savings and the broader economy.

### Significant improvement at the top

The average pension fund score in the survey increased by 58% since last year's survey, despite FairPensions extending the survey with new questions and an overall tightening of definitions. British Airways Pension Scheme (BAPS) and Strathclyde Pension Fund were the greatest improvers (see figure 1), and BAPS, British Telecommunications plc Pension Schemes (BTPS), and Universities' Superannuation Scheme (USS) are survey leaders in joint first place. BTPS and USS, the clear leaders in last year's survey, continue to display a strong commitment to transparency and responsible investment.

Many funds have set up websites, or expanded existing ones, to meet the demand for increased transparency. More funds' websites have sections dedicated to disclosing documents like their statement of investment principles (SIP) or responsible investment (RI) policies, thus moving toward clearer public commitments to RI and engagement responsibilities.

### Cause for concern at the bottom – Guidelines often ignored

Despite the evidence of improvement by high-scoring pension funds, many funds at the bottom of the survey give cause for concern: BP plc Pension Fund, Coal Pension Trustees, Barclays Bank plc UK Retirement Fund, BAE Systems Pension Scheme, and National Grid plc Pension Scheme all ranked in the bottom five – at most scoring one point out of ten. Half of the pension funds in this survey did not disclose policies on ESG issues; for example they often did not disclose engagement strategies or voting records – and in doing so failed to meet industry best practice codes such as the Myners Principles,<sup>3</sup> the United Nations Principles of Responsible Investment (UNPRI)<sup>4</sup> or those put forward by the Institutional Shareholder's Committee (ISC).<sup>5</sup>

### CSR Gap

The average score for the funds in the lowest half of the results table was only 14%. The report also finds that a number of companies which have well-developed corporate social responsibility (CSR) and transparency policies, such as Barclays, BP and National Grid have pension funds that performed very poorly on transparency and in demonstrating their engagement activities. This lack of accountability is in sharp contrast to the CSR policies of their sponsoring organisations.

### Little evidence of engagement

Overall, despite improvements in transparency, we have not yet seen widespread evidence of funds' commitment to engagement on ESG issues. The survey asked two questions that measure how the funds disclose the records of the actual results of the funds' ESG activism – reporting the results of the fund's engagement strategies and the fund's recent voting patterns. These two questions were the

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<sup>1</sup> Companies Act (2006).

<sup>2</sup> NAPF, *Pension Funds and Their Advisors 2007*, AP Information Services, 2007.

<sup>3</sup> HM Treasury, *Institutional Investment in the United Kingdom: A Review*, April 2000.

<sup>4</sup> United Nations Environment Programme Finance Initiative, *Principles for Responsible Investment*, April 2006.

<sup>5</sup> Institutional Shareholders Committee's (ISC), *Statement of Principles*, June 2007.

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lowest scoring on the survey, with only four schemes providing evidence to FairPensions of any voting records at all, and only five funds publicly disclosing the results of engagement activity.

Trustees must provide clear policies in their mandates to fund managers to ensure that effective engagement takes place. The survey found a divergence occurring between the leadership of the top half of the survey and the signs of apathy among the bottom half. Nine funds could present specific policies for how responsible investment was integrated into their investment mandates, and of these funds, seven show comprehensive monitoring and audit regimes. Seven of the funds in the survey disclosed to FairPensions a complete engagement strategy that describes the fund's specific engagement initiatives.

Recent research has increasingly shown that engagement on ESG issues improves financial returns for funds as well as providing social and environmental benefits to society. Recent studies are confident<sup>6</sup> that the costs of managing engagement on ESG issues will more than cover themselves<sup>7</sup>, and has a potentially significant influence on financial value of pension funds as well as their social and environmental impact<sup>8</sup>. Responsible investment and engagement can therefore be seen to be as much a financial imperative as they are a moral one, and are therefore integral to the overall fiduciary responsibilities of pension fund trustees – without transparency it is impossible to see whether pension funds are living up to these responsibilities.

**Figure 1: Survey Results Table**

	This Year's Rank	Last Year's Rank	Name	Estimated Size (£ billion)†	Estimated Membership (000)†	This Year's Score	Last Year's Score
Top 5	1	9	British Airways Pension Scheme	12.5	103	90%	21%
	1	1	Universities Superannuation Scheme Ltd	28.3	226	90%	79%
	1	2	British Telecommunications plc Pension Scheme	37.9	349	90%	71%
	4	6	Strathclyde Pension Fund	9.0	176	85%	29%
	5	n/a	West Midlands Metropolitan Authorities	7.3	224	80%	n/a
	6	9	BBC Pension Scheme	7.9	57	60%	21%
	7	3	Greater Manchester Pension Fund	8.9	221	55%	50%
	8	4	West Yorkshire Pension Fund	6.6	197	50%	43%
	9	12	Railways Pension Scheme	16.0	349	40%	14%
	10	6	Shell Contributory Pension Fund	10.7	46	35%	29%
	11	12	Royal Mail Pension Scheme	15.3	437	30%	14%
	11	17	HSBC Bank plc Pension Scheme	5.9	110	30%	0%
	13	15	Lloyds TSB Group plc Pension Scheme	13.4	194	25%	7%
	14	9	Corus UK Ltd British Steel Pension Scheme*	9.2	175	15%	21%
	14	17	Royal Bank of Scotland Group Pension Fund	16.8	228	15%	0%
Bottom 5	16	6	BP plc Pension Fund	12.9	61	10%	29%
	17	5	Coal Pension Trustees*	24.9	367	5%	36%
	17	15	BAE Systems Pension Scheme*	6.2	179	5%	7%
	19	17	Barclays Bank plc UK Retirement Fund *	9.6	189	0%	0%
	19	12	National Grid plc Pension Scheme	12.8	121	0%	14%
<b>Totals</b>				<b>£292</b>	<b>3,999</b>	<b>Average 41%</b>	<b>26%</b>

\*Funds that did not actively participate

† Source: NAPF Pension Funds and their Advisors 2007

<sup>6</sup> Barber, Brad, *Monitoring the Monitor: Evaluating CalPERS Activism*, November 2006.

<sup>7</sup> The Barber study found that CalPERS average annual short term gains resulting specifically from shareholder activism to be \$1.12 million, resulting from the added costs of three full time employees.

<sup>8</sup> United Nations Environment Programme Finance Initiative and Mercer, *Demystifying Responsible Investment Performance*, October 2007.

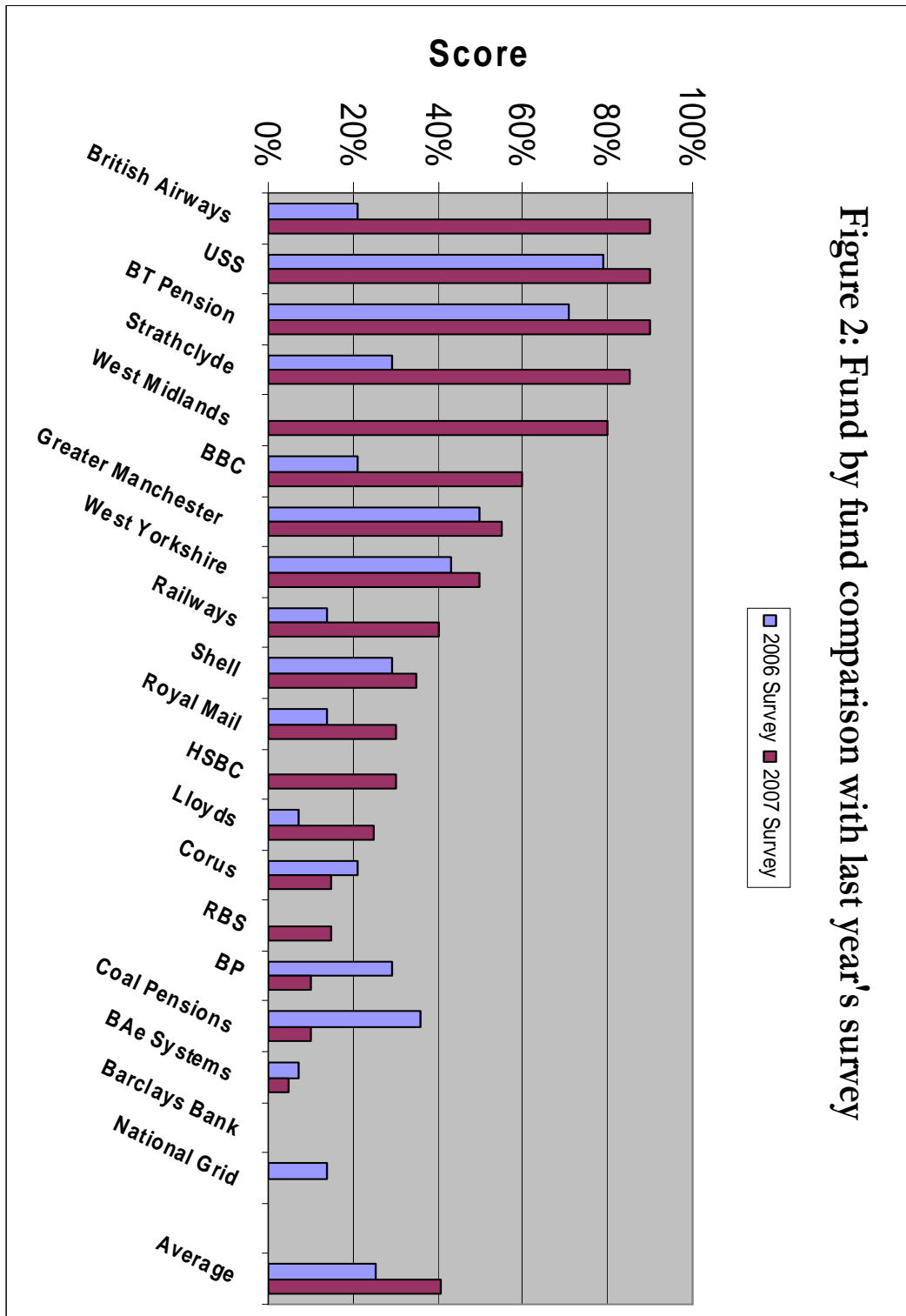


Figure 2: Fund by fund comparison with last year's survey

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Pension fund trustees should aim to ensure that all aspects of the pension fund they manage conform to the highest levels of industry best practice. Increasingly, best practice recognises the importance of environmental, social and governance (ESG) considerations as an integral part of the investment process. Responsible Investment (RI) acknowledges the potential long term impact of ESG issues on shareholder value, and implementation of RI practices helps to safeguard the value of investment by ensuring that proper attention is given to the risks and rewards associated with ESG management. Far from being a tangential issue, a focus on ESG issues should be seen as a part of a trustee's fiduciary duty<sup>9</sup> - without transparency it is difficult to discern whether this is being upheld.

For the second successive year<sup>10</sup>, this report examines the policies and statements of the UK's largest twenty occupational pension funds<sup>11</sup> to assess their level of commitment to transparency on issues surrounding responsible investment. There has been significant and committed improvement by a leading group of funds who take their responsibilities in ESG management and transparency seriously. However, it is becoming increasingly hard to ignore that many funds surveyed remain opaque – making it difficult to discern if they are serious about addressing the social and environmental effects of their investment and the potential risk presented by these concerns. This is especially surprising given the increasing awareness of the potential negative economic impact of failing to respond to ESG issues such as climate change – as highlighted by the Stern Review<sup>12</sup> and recently reaffirmed by the recent report by the Confederation of Business Industry on Climate Change<sup>13</sup>.

A lack of transparency in regard to ESG policy issues continues to be the norm in many of the surveyed funds. This contrasts sharply with the best practice guidelines recommended by industry bodies<sup>14</sup> and often even their own sponsoring organisation's corporate social responsibility policies.

#### How the pension funds performed

Overall, the average “score” increased by 58% since last year's survey – despite extending the survey with new questions and a tightening of definitions.<sup>15</sup> Most of this increase has been driven by the significant improvements on the part of a relatively small number of funds. Strong performers include the British Airways Pensions Schemes, which rose from 21% last year to 90% on this year's survey (from 9<sup>th</sup> rank to a shared 1<sup>st</sup>) and the Strathclyde Pension Fund, which scored 29% last year, but this year has come 4<sup>th</sup> with a score of 85%. Both funds established clear sections on their existing public website to disclose new and improved strategies and reported the progress of existing RI policies and engagement initiatives.

#### Top 5 Pension Funds

Universities Superannuation Scheme 1=  
BT plc Superannuation Scheme 1=  
British Airways Pension Scheme 1=  
Strathclyde Pension Fund 4  
West Midlands Metropolitan Authorities 5

The top schemes in the survey have taken confident steps to improve their transparency and engagement. Three pension funds: British Airways Pension Scheme (BAPS), British Telecommunications plc Pension Schemes (BTPS) and the Universities Superannuation Scheme (USS) are joint leaders with 90% each. BTPS and USS were also the clear leaders in last year's survey and

<sup>9</sup> This is discussed in more detail on page 9.

<sup>10</sup> FairPensions, *UK Pension Scheme Transparency on Social, Environmental and Ethical Issues*, November 2006.

<sup>11</sup> See appendix: methodology, p. 53.

<sup>12</sup> Stern, Nicholas, *The Stern Review: The Economics of Climate Change*, October, 2006.

<sup>13</sup> CBI, *Climate Change: Everybody's Business*, November 2007.

<sup>14</sup> Institutional Shareholders Committee's (ISC), *Statement of Principles*, June 2007.

The United Nations Environment Programme's Finance Initiative's *Principles of Responsible Investment* (UNPRI) and HM Treasury Report by Paul Myners (“Myners Principles”, April 2000) each contain guidelines for the institutional shareholder on the management of investment.

<sup>15</sup> See appendix: methodology, p. 53.

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continue to set an example for other funds. Both of these funds have improved on their strong performance since last year by producing clear evidence of leadership in engagement on ESG issues.

Unfortunately, these funds are not typical and dramatically contrast with the poor results of the low performing funds - the lower half of the survey scored an average of 14%. Most of these poor performers have made no improvement since last year. BAE Systems Pension Scheme, Barclays Bank plc UK Retirement Fund, BP plc Pension Fund, Coal Pensions Trustees and National Grid plc Pension Scheme were ranked in the bottom five of the survey.

### Bottom 5 Pension Funds

BP plc Pension Fund 16  
 Coal Pensions Trustees 17=  
 BAE Systems Pension Scheme 17=  
 Barclays Bank plc UK R'ment Fund 19=  
 National Grid plc Pension Scheme 19=

Coal Pensions Trustees, BP plc Pension Fund and National Grid plc Pension Scheme regressed compared to the 2006 survey. Their lack of transparency makes it extremely difficult to assess these funds' true commitment to engagement, and lies in stark contrast to

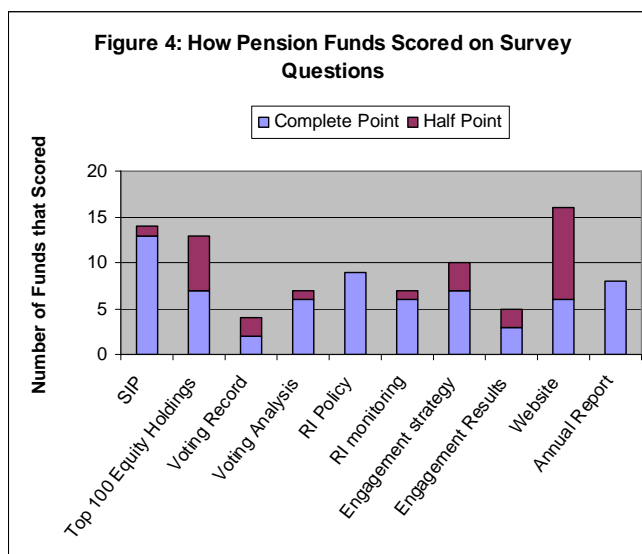
industry best practice<sup>16</sup>.

### Transparency

The past year has seen relatively significant improvement in a number of the largest twenty pension funds' public presentation of responsible investment and engagement commitments. Six funds – five more than last year – have explanatory pages on their websites that are dedicated to responsible investment issues. Seven funds have sections in their annual reports that disclose information regarding the fund's commitments to RI and engagement, where last year only USS – the survey leader – had such a section. These are substantial advances.

Despite this improvement, the majority of the pension funds in the survey still do not provide transparent public disclosure of policies and investments. Some funds stated that public disclosure was not necessary, and that their members were not interested in the fund's ESG performance. This response stands in marked contrast with the best practice principles advocated in prominent industry guidelines such as the Institutional Shareholders' Committee's *Statement of Principles*,<sup>17</sup> the UN Principles of Responsible Investment,<sup>18</sup> or the Myners Principles.<sup>19</sup>

FairPensions believes that funds should formulate their policies and investment mandates in a fully transparent manner, based on the principles of best practice, rather than attempting to guess what may or may not be their members' wishes or interests. The investment practices of major institutional shareholders have an impact on the economy and society as a whole, not only their beneficiaries' personal finance. A lack of transparency engenders a potential lack of accountability.



<sup>16</sup> For example the Institutional Shareholders Committee (ISC), *Statement of Principles*.

<sup>17</sup> ISC, *Statement of Principles*, June 2007

<sup>18</sup> United Nations Environment Programme Finance Initiative, *Principles for Responsible Investment*, April 2006.

<sup>19</sup> HM Treasury, *Institutional Investment in the United Kingdom: A Review*, April 2000.



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## Responsible Investment

The pension schemes at the top of the survey rankings have all progressed in the past year by developing or expanding their detailed and integrated responsible investment policies. This year, nine funds have detailed responsible investment policies that are integrated effectively into the fund's investment managers' mandates and strategy. In comparison, the 2006 survey<sup>20</sup> found only USS had a complete and integrated policy on responsible investment.

### **Banks' Pension Schemes vs. Local Authorities' Pension Funds**

These two sectors stand in stark contrast with each other. Despite having parent companies with dedicated teams for CSR management and a clear public stance on environmental and ethical matters, banks' pension funds are clustered in the bottom half of our survey with an average score of 18%. In comparison, the local authority pension funds have all made significant efforts to improve in the past year. All rank in the top half of the survey with two in the top 5 – and as a group score an average of 68%.

The survey sought tangible evidence regarding whether or not a pension fund's responsible investment policy is integrated into fund manager investment mandates. Clear policies on responsible investment are important – but a good policy needs to be integrated and carefully monitored with a detailed reporting regime to ensure that the policy is effective. This reporting structure is essential for ensuring that the responsible investment policies are effectively implemented, and that the responsibilities delegated to the fund managers are in alignment with the policies and philosophy of the pension fund. Only the top seven funds in the survey make public or disclosed to FairPensions a dedicated responsible investment audit and reporting regime.

The overall success of these leading funds in committing to clear policies on responsible investment shows a rising acceptance by pension funds of their responsibility to be open and transparent regarding the importance of ESG considerations in their investment decision making process. It has been increasingly recognised that the “misunderstood decision” in the legal case of *Cowan vs. Scargill*<sup>21</sup> does not allow pension funds to ignore ESG issues in risk analysis and management.<sup>22</sup> The report produced in 2005 by Freshfields Bruckhaus Deringer on *The Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment* (published on behalf of the United Nations Environment Programme) makes it clear that *Cowan vs. Scargill* does not inhibit pension funds from taking an active interest in ESG issues in investment. The Freshfields report confirms the important role that ESG analysis plays in the investment mandate:

*“links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required...”*<sup>23</sup>

Furthermore, the Freshfield report argues that there is convincing evidence that by ignoring ESG issues in their investment mandates pension funds may be in breach of fiduciary duty:

### **Best Practice: USS Engagement Initiatives**

USS' clear commitment to engagement can be seen on the fund's website which hosts an entire section concerning the various engagement campaigns that USS has embarked upon. It is an excellent internet resource that members of the fund and the general public can use to understand USS' undertakings in engagement and the results of these projects.

<sup>20</sup> FairPensions, *Pension Fund Survey, 2006*.

<sup>21</sup> The decision by Justice Megarry in the 1984 legal case *Cowan vs. Scargill* was, for many years, misinterpreted by many to claim it was unlawful for pension fund trustees to take any consideration beyond that the purely financial into investment decisions. This interpretation was effectively challenged and dismissed when the United Nations Environment Programme Finance Initiative's (UNEP FI) Asset Management Working Group commissioned Freshfields Bruckhaus Deringer (Freshfields) to examine institutional shareholders' legal obligations in relation to ESG issues.

<sup>22</sup> Freshfields Bruckhaus Deringer, United Nations Environment Programme's Financial Initiative, *The Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment*, October 2005, p. 8.

<sup>23</sup> Freshfields, p.13.

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*‘It may be a breach of fiduciary duties to fail to take account of ESG considerations that are relevant and to give them appropriate weight, bearing in mind that some important economic analysts and leading financial institutions are satisfied that a strong link between good ESG performance and good financial performance exists.’<sup>24</sup>*

### Delegation to fund managers is under scrutiny

A number of funds at the bottom of the ranking stated that the question of managing ESG issues had been delegated in its entirety to their fund managers with no specific direction. This reliance on fund managers is potentially problematic - FairPensions’ recent survey<sup>25</sup> of the UK’s Top 20 fund managers showed a wide variance in the disclosure and engagement practices of leading fund managers. The fund manager report clearly illustrates the potential dangers of delegation without clear policy and oversight:

- Only five of the twenty fund managers in the survey had clear policies on ESG issues.
- Fifteen of the twenty fund managers surveyed had engagement policies focused solely on corporate governance issues.
- Meeting with investee companies over ESG concerns was a priority for only the minority of the fund managers surveyed.<sup>26</sup>

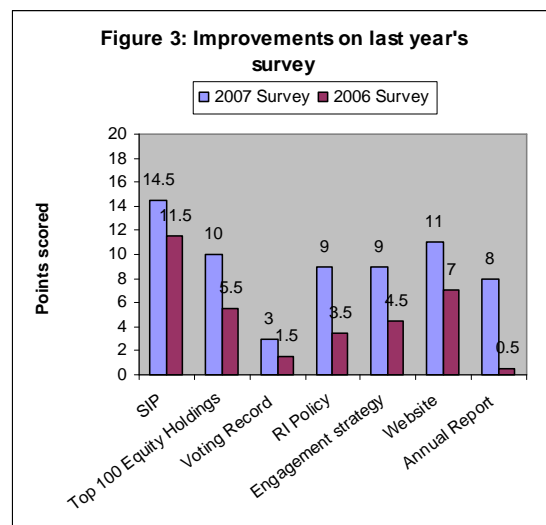
Delegation without sufficient policy direction or monitoring, places an exceptionally high level of responsibility with fund managers. The problematic nature of this trust has been highlighted by a recent study by the Local Authorities Pension Fund Forum (LAPFF) which casts doubt on the motivation behind many fund managers’ engagement practices:

*‘...the main driver behind shareholder activism by mainstream fund managers is to remain competitive, and that maximization of shareholder value or moral values serve merely as post-hoc rationalizations for engagement activities. In the light of such findings, and the ever-changing regulatory and political framework, it is all the more important that institutional investor clients hold fund managers accountable for their intervention activities.’<sup>27</sup>*

The pension fund/fund manager relationship requires clear responsible investment and engagement policies that are embedded into mandates, and a comprehensive monitoring and reporting regime to ensure the integrity of the policy is maintained.

### CSR Gap

There is surprising lack of consistency between the responsible investment policies of a pension fund and the corporate social responsibility (CSR) policies of its sponsoring organization. In many cases, the survey found that pension funds’ attitudes toward RI and the lack of importance otherwise placed on ESG issues stood in sharp contrast to the sponsoring companies’ stated CSR commitments. For example, the banks whose pension funds were surveyed typically have a highly visible CSR message and policies. Yet the pension funds of these banks are amongst the least transparent and seemingly least engaged with an average score of 18% on the survey. None of the banks’ pension schemes had disclosed an integrated and effective RI policy, and only HSBC’s pension fund could provide a documented, detailed engagement strategy.



<sup>24</sup> Freshfields, p. 100.

<sup>25</sup> FairPensions, *Fund Manager Transparency and Engagement on Environmental, Social and Governance Issues*, October 2007.

<sup>26</sup> *ibid.* p. 6-7.

<sup>27</sup> Local Authority Pension Fund Forum, *Holding Fund Managers to Account*, October 2006, p. 14.

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To illustrate this point: the Royal Bank of Scotland Group as a parent organisation has a section on its website concerning CSR which contains annual reports on key initiatives as well as statements on corporate governance, the environment and social policy. Yet these issues are not acknowledged on the pension fund's website. The fund's statement of investment principles (SIP) does recognize the importance of the ISC's *Statement of Principles* in general terms, yet does not follow its recommendations by publicly disclosing their voting policy, voting records or any results of the loosely integrated RI and engagement strategies.

### **Best Practice: BA Pension Scheme (BAPS) Website**

BAPS added a new section to their website which made clear the scheme's commitments to Responsible Investment and its key initiatives in engagement, the results of this engagement, and the fund's voting history. This information presents a completely different side to the fund that was previously not visible – and demonstrates the fund's commitment to engagement.

Similarly, on the CSR page of the Barclays Bank corporate website, Group Chief Executive John Varley declares: "I want us to be leaders, not followers in corporate responsibility." The bank is in the FTSE4Good index and has policies and reports on ESG issues. Yet Barclays Bank's pension fund does not appear to have a website of its own, let alone public disclosure of ESG policies and initiatives. This fund did not actively participate in the survey, and no information on the pension fund was made available to FairPensions - it remains the only pension fund not to have scored a single point on either of the 2006 or 2007 surveys.

In these cases, and others, there is an apparent dislocation between the sponsoring organisation's CSR policies, intentions and efforts and their pension fund's policies.

### **Lack of Engagement on ESG Issues**

The survey questions that had the highest scores reflect an increase of publicly available information – many funds have set up websites, or expanded existing ones and more of the funds' websites have sections dedicated to disclosing important documents such as SIP or RI policies, moving toward a clearer presentation of commitments to RI and engagement responsibilities. As good as these improvements in transparency are, they have not generally extended to displaying evidence of engagement. The areas of the survey that required actual results of engagement strategies and voting policies were the lowest scoring on the survey.

### **Best Practice: BT Pension Scheme (BTPS) Voting Transparency**

For the second year running, BTPS provides an excellent example of voting transparency. The fund's voting records are clear and extensive and accompanied by a detailed summary voting analysis. These documents all highlight the fund's clear commitment to shareholder engagement.

There is a growing body of evidence that connects shareholder activism with strong portfolio performance. Effective engagement starts with a declared strategy and focused initiatives. Recent reports have focused on the relationship between ESG management and the profit line, with favorable results. For example, a study of the California Public Employees Retirement Service's (CalPERS) annual Focus List shows a strong correlation between specified engagement initiatives and financial performance:<sup>28</sup>

*"Moral issues are challenging and nettlesome. But do not throw out the baby with the bath water. Shareholder activism can provide important and effective monitoring of publicly traded firms and benefit shareholders. My analysis of [the positive financial reaction to the announcement of] CalPERS focus list firms indicates these targeted and well-reasoned interventions have created \$3.1 billion dollars of shareholder value."*<sup>29</sup>

<sup>28</sup> Barber, Brad. *Monitoring the Monitor: Evaluating CalPERS Activism*. November, 2006.

<sup>29</sup> Barber, *CalPERS*, pp. 18-9.

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The CalPERS example is convincingly backed by a recent research from Mercer and the Asset Management Working Group of the United Nations Environment Programme Finance Initiative (UNEP FI). Its survey of twenty academic studies on responsible investment this report found that half concluded that management of ESG factors had a clear positive impact on investment. While other reports were neutral, only three studies found such factors had a negative impact. The same research concludes the investment industry is even more positively aligned with ESG management – in ten reports by industry research specialists, none found responsible investment to have any negative impact, and most found clear positive reasons for integrating RI into business practice. The report's conclusion is clear:

*“Today, responsible investment is premised on the belief that ESG factors can enhance financial performance and should therefore be integrated into investment analysis and decision-making, including ownership practices. Consequently, shareholder activism/engagement is an approach increasingly being adopted. It is also noteworthy that the term ‘socially responsible investing’ (SRI) itself is evolving. While SRI is still widely used, it is now being redefined as ‘sustainable investing’, ‘responsible investing’ or ‘sustainable and responsible investing.’ Regardless of the term, this is not mere semantics, but a true reflection of the major shift in thinking associated with the huge environmental and social challenges our world is now facing, the corporate downfalls in recent memory, and the increasing belief that these changes have impacts on investment performance.”<sup>30</sup>*

### Conclusion

On a positive note, it would now be difficult to find a major occupational pension fund which would say that ESG issues are not important determinants of shareholder value, or that active engagement is not a route to value maximisation. However, it is impossible to know whether institutions are taking concrete action on these issues unless they are transparent about their actual policies and practice.

FairPensions' aim in its 2007 UK Pension Scheme Transparency Survey has been to identify those schemes that have clearly made environmental, social and governance issues and related engagement integral to their risk management and value maximisation strategies. Those at the top of the results table can be seen to be showing significant progress on these issues with impressive improvements compared to last year for the BA Pensions Scheme (moving from 9<sup>th</sup> to joint 1<sup>st</sup>) and the Strathclyde Pension Fund (with scored 29% in the previous year and is now on a score of 85%). Those at the top of the table can be seen to be improving their transparency through better websites and an inclusion of responsible investment sections in their annual reports.

While there has been progress by those at the top, the pension schemes further down the survey continue to be opaque about ESG management. The majority of pension funds are still not openly disclosing their policies or investment practices, which is in direct conflict with the best practice principles advocated within the investment industry such as the ISC's *Statement of Principles*, and the “Myners Principles”.

Furthermore, although the survey looked at transparency, it found some worrying attitudes to actual engagement: a number of funds surveyed said that they delegate all responsibility for ESG matters to their fund managers with no explicit direction. Given that FairPensions' recent survey of the UK's Top 20 fund managers found many fund managers not to have effective ESG policies, this is a cause for concern

Another issue for those at the bottom of the survey is the gap between their parent organisations' CSR policies and the pension funds' apparent lack of any form disclosure on such issues. This was particularly apparent when considering the banks within the survey, whose sponsoring organisations usually have very conspicuous CSR messages and policies whilst the pension funds of these banks (for example Barclays or RBS) are amongst the least transparent in this years' survey.

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<sup>30</sup> Mercer and the United Nations Environment Programme Finance Initiative. *Demystifying Responsible Investment Performance*, October 2007, p. 11.

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The importance of ESG management for institutional shareholders is becoming more and more evident; as is seen in industry backed guidelines such as the ISC's *Statement of Principles* and given more weight by the recent UNEP FI / Mercer report on *Demystifying Responsible Investment Performance*. The increasing evidence for the financial benefits of responsible investment also means that there is a strong argument that the management of such issues is a part of fiduciary duty, however without transparency there can be no certainty that these are being taken seriously.

**BAE Systems Pensions Scheme**

<a href="http://www.BAEmethodspensions.com">www.BAEmethodspensions.com</a>	Rank in Survey	Last Year	This Year
		Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>		0	0
Not found on website or otherwise disclosed to FairPensions.			
<b>2) Equity holdings</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>		0	0
Not found on website or otherwise disclosed to FairPensions.			
<b>3) Annual voting record</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>		0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>		-	0
Not found on website or otherwise disclosed to FairPensions.			
<b>4) Responsible investment integration policies</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>		0	0
		-	0
No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.			
<b>5) The specific engagement strategy</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>		0	0
		-	0
The scheme has not disclosed any engagement strategy, or specific initiatives on website or otherwise to FairPensions			
<b>6) Public website</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>		0.5	0.5
The scheme's website does not have a section dedicated to responsible investment.			

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

No annual report was made available to FairPensions.

**Total Score:** 0.5      0.5  
(7%)      (5%)

**Year's Improvements:**

---

No improvements over the past year.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**Note:**

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BAE Systems Pensions Scheme did not actively participate in this year's Transparency and Engagement survey.

**Barclays Bank plc UK Retirement Fund**

	Last Year	This Year
<b>Rank in Survey</b>	17	19
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	0	0
Not found on website or otherwise disclosed to FairPensions.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0	0
Not found on website or otherwise disclosed to FairPensions.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	0
	-	0
No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	0
	-	0
The scheme has not disclosed any engagement strategy, or specific initiatives on website or otherwise to FairPensions		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0	0
The scheme does not have a website with section dedicated to responsible investment.		



**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

No annual report was made available to FairPensions.

**Total Score:** 0      0

**Year's Improvements:**

---

No improvements over the past year.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**Note:**

---

Barclays Bank plc UK Retirement Fund did not actively participate in this year's Transparency and Engagement survey.

**BBC Pensions Scheme**

<a href="http://www.bbc.co.uk/mypension">www.bbc.co.uk/mypension</a>	Rank in Survey	Last Year	This Year
		9	6
		Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>		1	1
The SIP is disclosed on the scheme's website			
<b>2) Equity holdings</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>		0	1
The Top 100 Equity is listed on the scheme's website.			
<b>3) Annual voting record</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>		0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>		-	0
Not found on website or otherwise disclosed to FairPensions.			
<b>4) Responsible investment integration policies</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul>		0.5	1
<ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>		-	1
The RI policy and monitoring scheme are described in Section 6 and Appendix E in the SIP and pages 13 and 14 of the annual report.			
<b>5) The specific engagement strategy</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul>		0	0.5
<ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>		-	0
The fund's engagement strategy can be found on pages 13 and 14 of the annual report. This strategy forms an excellent foundation, but is not specific enough in describing the engagement strategy or in the initiatives and priority issues of the fund, nor are the results of an engagement strategy disclosed.			
<b>6) Public website</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>		0	0.5
The fund has a public website, but this site does not contain a section dedicated to Responsible Investment.			

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      1

The annual report contains a section dedicated to responsible investment.

<b>Total Score:</b>	1.5	6
	(21%)	(60%)

**Year's Improvements:**

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The BBC fund created a new dedicated website, which disclosed their SIP and their equity. The December 2006 updated SIP includes an integrated policy on Responsible Investment, and a section dedicated to responsible investment was included in their annual report.

**Recommendations:**

---

- 1) A dedicated section to responsible investment on the scheme's website. Such a page can provide:
  - Disclosure of the complete voting records and a summary voting analysis.
  - Disclosure of specific and detailed ESG engagement strategies, complete with progress report of engagement initiatives.
- 2) The current engagement strategy forms the foundations of a strategy, but is not sufficiently detailed in describing specific strategy or in the initiatives and priority issues of the fund, nor are the results of an engagement strategy disclosed.

**BP plc Pension Fund**

	Last Year	This Year
<a href="http://www.pensionline.bp.com">www.pensionline.bp.com</a>	6	16

	Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul> | 1 | 0 |
|--|---|---|

SIP is available online but is behind a login area, and was not disclosed to FairPensions.

<b>2) Equity holdings</b> (Total = 1 point)		
---	--	--

- |   |     |     |
|---|-----|-----|
| <ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul> | 0.5 | 0.5 |
|---|-----|-----|

Only the Top 20 equity was listed in the fund's annual report.

<b>3) Annual voting record</b> (Total = 2 points)		
---	--	--

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul> | 0 | 0 |
| <ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>  | - | 0 |

Not found on website or otherwise disclosed to FairPensions.

<b>4) Responsible investment integration policies</b> (Total = 2 points)		
--	--	--

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul> | 0 | 0 |
| <ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>  | - | 0 |

No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.

<b>5) The specific engagement strategy</b> (Total = 2 points)		
---	--	--

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul> | 0 | 0 |
| <ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>     | - | 0 |

The scheme has not disclosed any engagement strategy, or specific initiatives on website or otherwise to FairPensions

<b>6) Public website</b> (Total = 1 point)		
--	--	--

- |   |     |     |
|---|-----|-----|
| <ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul> | 0.5 | 0.5 |
|---|-----|-----|

The scheme's website does not have a section dedicated to responsible investment.

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

The annual report does not contain a section on responsible investment.

**Total Score:** 2 (29%)    **1 (10%)**

**Year's Improvements:**

---

No improvements over the past year.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**British Airways Pensions Scheme**

	Last Year	This Year
<a href="http://www.mybapension.com">www.mybapension.com</a>	9	1
<b>Rank in Survey</b>		
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	1	1
Disclosed on the fund's website.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0	1
Disclosed on the fund's website.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li>   <li>• Voting analysis is disclosed (1 point)</li> </ul>	0	1
Complete voting records and summary voting analysis on the fund's website.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	1
Policies on responsible investment and a reporting regime are disclosed on the fund's public website.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	1
A specific strategy of engagement and annual reports that provide the results of these initiatives are disclosed on the fund's website.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0.5	1
The scheme's website has a section dedicated to responsible investment, under the heading of "Corporate Governance".		

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

The annual report does not contain a section dedicated to responsible investment.

<b>Total Score:</b>	1.5	9
	(21%)	(90%)

**Year's Improvements:**

---

The British Airways Pension Scheme is the most improved over the past year, having moved up from 9<sup>th</sup> place (with a 21% score) to a shared first place score of 90%. This dramatic improvement was the result of the creation of a dedicated section on their website that includes the detailed SIP, Top 100 Equity holdings, complete voting records and summary voting analysis, responsible investment and engagement statements, and annual reports on socially responsible investment and engagement.

**Recommendations:**

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- Include a section in their next annual report that contains a summary report on responsible investment and engagement.
- Engagement initiatives to be expanded beyond the current focus on corporate governance to also include environmental and social issues.

**British Telecommunications plc Pensions Scheme**

<a href="http://www.btpensions.net">www.btpensions.net</a>	Rank in Survey	Last Year	This Year
		2	1
		Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>		1	1
Disclosed on the scheme's website.			
<b>2) Equity holdings</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>		0.5	1
Disclosed on the scheme's website.			
<b>3) Annual voting record</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>		1	1
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>		-	1
The responsible investment section of the website includes a clear link to voting records and analysis on fund manager Hermes' website, where the voting records are disclosed in full, and with summary voting analysis.			
<b>4) Responsible investment integration policies</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul>		1	1
<ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>		-	1
BT's commitment to responsible investment is thorough and clearly integrated into investment policy and remains a strong example of progressive leadership in the field.			
<b>5) The specific engagement strategy</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul>		1	1
<ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>		-	0
The scheme's engagement strategy is clear, with priority initiatives. The progress / results of these initiatives were not disclosed.			
<b>6) Public website</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>		0.5	1
The scheme's website does include a section dedicated to responsible investment.			



**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      1

The annual report contains a section dedicated to responsible investment.

**Total Score:** 5      9  
(71%)      (90%)

**Year's Improvements:**

---

The British Telecommunications plc Pension Scheme has continued to be a leader by creating detailed sections in their annual report and on their website dedicated to responsible investment. Other improvements have been made including a summary voting analysis online, and disclosure of their top 100 equity listing.

**Recommendations:**

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The British Telecommunications plc Pension Scheme is a progressive leader in engagement and responsible investment. We recommend a report that highlights the results of engagement initiatives where the disclosure of this does not affect the performance of their engagement.

**Coal Pensions Trustees**

	Last Year	This Year
<a href="http://www.bcsss-pension.org.uk">www.bcsss-pension.org.uk</a>	5	17
<b>Rank in Survey</b>		
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	1	0
Not found on website or otherwise disclosed to FairPensions.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0.5	0
The only equity holdings found were from the 2005/6 annual report and therefore not within the past year.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	0
	-	0
No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0.5	0.5
	-	0
The scheme has the foundations of an engagement strategy, found in the 2005/6 annual report, but it does not identify priority issues.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0.5	0.5
The fund has a public website, but this site does not contain a section dedicated to Responsible Investment.		

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

No annual report was made available to FairPensions.

**Total Score:** 2.5      1  
(36%)      (10%)

**Year's Improvements:**

---

No improvements over the past year.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- Update the ESG engagement strategy with engagement initiatives, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outlines the policies of responsible investment and the results of it.

**Notes:**

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Coal Pensions Trustees did not actively participate in this year's Transparency and Engagement survey. The annual report posted on their website is for the 2005/6 year and is out of date. Last checked on the survey cut-off date of the 31<sup>st</sup> October, 2007.

Corus UK Ltd. British Steel Pension Scheme

<a href="http://www.bspensions.com">www.bspensions.com</a>	Last Year	This Year
<b>Rank in Survey</b>	9	14
	Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	0.5	0.5
A summary statement of investment principles was found on the website. No complete SIP was found or disclosed otherwise to FairPensions.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0.5	0.5
A listing of the Top 20 equity holdings was found in the Scheme annual report.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	0
	-	0
No integrated responsible investment policy or adherence monitoring scheme were found on website or otherwise disclosed to FairPensions.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	0
	-	0
The scheme has not disclosed any engagement strategy, or specific initiatives on website or otherwise to FairPensions		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0.5	0.5
The scheme's website does not have a section dedicated to responsible investment.		

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

No annual report was made available to FairPensions.

<b>Total Score:</b>	1.5	1.5
	(21%)	(15%)

**Year's Improvements:**

---

No improvements over the past year.

**Recommendations:**

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1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**Notes:**

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Corus UK Ltd. British Steel Pension Scheme did not actively participate in this year's Transparency and Engagement survey.

**Greater Manchester Pension Fund**

<a href="http://www.gmpf.org.uk">www.gmpf.org.uk</a>	Last Year	This Year
<b>Rank in Survey</b>	3	7
	Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	1	1
The SIP is available on the public website.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0.5	1
The Top 100 equity holdings are available on the public website.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul>	0.5	1
<ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	-	0.5
The SIP includes integrated policies regarding responsible investment. The Ethics and Audit group forms the basis of an excellent reporting regime, but information of how this group is organized and how frequently they are to report is not sufficiently disclosed.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul>	1	0.5
<ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	-	0
The scheme has disclosed an engagement strategy and has detailed its association with the LAPFF, but not specific initiatives. This strategy is also not accompanied by a progress report of initiatives.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0.5	1
The fund has a public website, but this site does not contain a section dedicated to Responsible Investment.		

**7) The specific engagement strategy** (Total = 1 point)

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- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

The annual report does not have a dedicated section to responsible investment.

<b>Total Score:</b>	3.5	5.5
	(50%)	(55%)

**Year's Improvements:**

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The fund's website has been expanded to include a section on responsible investment, where new and expanded policies on responsible investment and engagement are disclosed, along with the Top 100 equity and the SIP.

**Recommendations:**

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1. Disclosure of the complete voting records and a summary voting analysis.
2. A detailed explanation of the Ethics and Audit Group's functions, and frequency of reporting.
3. Disclosure of specific engagement initiatives that include environmental, social and governance priority issues, together with a progress report on the engagement initiatives.
4. A section for responsible investment in the scheme's annual report that outlines the policies of responsible investment and engagement, and the progress of these initiatives.

Strictly embargoed until 8<sup>th</sup> December 2007, 00.01 hrs

## HSBC Bank plc Pensions Scheme

	Last Year	This Year
<b>Rank in Survey</b>	17	11
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	0	1
The SIP is in the Scheme's annual report, which was disclosed to FairPensions.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0	0
Not found on website or otherwise disclosed to FairPensions.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	0
	-	0
No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	1
	-	0
The scheme has an engagement strategy detailed in their annual report. It does not include any results of its initiatives.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0	0
The scheme does not have a public website.		



**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      1

The annual report has a section that reviews the funds corporate governance activism.

**Total Score:** 0      3  
(30%)

**Year's Improvements:**

---

An annual report was disclosed to FairPensions, which includes a SIP and a description of the scheme's engagement strategy.

**Recommendations:**

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1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

Lloyds TSB Group plc Pension Scheme

	Last Year	This Year
<b>Rank in Survey</b>	15	13
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	0	1
The SIP was disclosed to FairPensions.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0.5	0.5
The Top 20 equity holdings were disclosed in the scheme's annual report.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	0
	-	0
No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	0
	-	0
The scheme's engagement strategy is outlined in the section entitled "activism" in the annual report. The information in this section of the report is not detailed enough to meet FairPensions criteria.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0	0
The scheme does not have a public website.		

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      1

The section in the annual report entitled "activism" meets the criteria for this section, and provides a foundation for the fund to build on.

<b>Total Score:</b>	<hr/> 0.5	<hr/> 2.5
	(7%)	(25%)

**Year's Improvements:**

---

The scheme has a good foundation on which to build.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**National Grid plc Pension Scheme**

	Last Year	This Year
<b>Rank in Survey</b>	12	19
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	1	0
Not found on website or otherwise disclosed to FairPensions.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0	0
Not found on website or otherwise disclosed to FairPensions.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	0
	-	0
No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	0
	-	0
The scheme has not disclosed any engagement strategy, or specific initiatives on website or otherwise to FairPensions		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0	0
The scheme does not have a website with section dedicated to responsible investment.		

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point)

0 0

The annual report does not include a section dedicated to responsible investment.

**Total Score:** 

---

 1 0  
(14%)

**Year's Improvements:**

---

No improvements over the past year.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**Railways Pension Scheme**

	Last Year	This Year
<a href="http://www.railwaypensions.co.uk">www.railwaypensions.co.uk</a>	12	9
<b>Rank in Survey</b>		

	Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul> | 0 | 1 |
|--|---|---|

The SIP was disclosed to FairPensions.

<b>2) Equity holdings</b> (Total = 1 point)		
---	--	--

- |   |     |     |
|---|-----|-----|
| <ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul> | 0.5 | 0.5 |
|---|-----|-----|

Top 20 equity holdings are listed in the annual report.

<b>3) Annual voting record</b> (Total = 2 points)		
---	--	--

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul> | 0 | 0 |
| <ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>  | - | 0 |

Not found on website or otherwise disclosed to FairPensions.

<b>4) Responsible investment integration policies</b> (Total = 2 points)		
--	--	--

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul> | 0 | 0 |
| <ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>  | - | 0 |

No integrated responsible investment policy or adherence monitoring scheme was found on website or otherwise disclosed to FairPensions.

<b>5) The specific engagement strategy</b> (Total = 2 points)		
---	--	--

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul> | 0 | 1 |
| <ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>     | - | 0 |

The scheme has outlined a commitment to corporate governance engagement issues. But has not outlined the results of these initiatives.

<b>6) Public website</b> (Total = 1 point)		
--	--	--

- |   |     |     |
|---|-----|-----|
| <ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul> | 0.5 | 0.5 |
|---|-----|-----|

The scheme's websites do not contain a detailed section on responsible investment.

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      1

There is a section outlining the funds corporate governance activism in the annual report.

**Total Score:** 

---

 1 (14%)      **4.5**  
(45%)

**Year's Improvements:**

---

The fund's disclosure of a SIP to FairPensions, along with the expansion and disclosure of its corporate governance engagement programme have improved the funds score.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

Royal Bank of Scotland Group Pension Fund

<a href="http://www.rbspeople.com">www.rbspeople.com</a>	Last Year	This Year
<b>Rank in Survey</b>	17	14
	Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	0	1
The SIP was disclosed to FairPensions.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0	0
Not found on website or otherwise disclosed to FairPensions.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0
Not found on website or otherwise disclosed to FairPensions.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	0
	-	0
No integrated responsible investment policy or adherence monitoring scheme was found on the website or otherwise disclosed to FairPensions.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	0
	-	0
The scheme has not disclosed any engagement strategy, or specific initiatives on the website or otherwise to FairPensions		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0	0.5
The fund has a public website, but this site does not contain a section dedicated to Responsible Investment.		



**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

The annual report on the website does not contain a section dedicated to responsible investment.

**Total Score:** 0      1.5  
(15%)

**Year's Improvements:**

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Royal Bank of Scotland Group Pension Fund disclosed their Statement of Investment Principles to FairPensions.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The SIP.
- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

Royal Mail Pension Scheme

	Last Year	This Year
<a href="http://www.royalmailgroup.com">www.royalmailgroup.com</a>	12	11
<b>Rank in Survey</b>		

	Scores	
--	--------	--

<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	0	1

The SIP is disclosed in the scheme's annual report.

<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0.5	0.5

Only the Top 30 equity holdings were listed in the fund's annual report.

<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0

Not found on website or otherwise disclosed to FairPensions.

<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	0	1
	-	0

The SIP contains a policy on responsible investment, but no monitoring regime.

<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	0	0
	-	0

The scheme has not disclosed any engagement strategy, or specific initiatives on its website or otherwise to FairPensions

<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0.5	0.5

The scheme does not have a section dedicated to responsible investment on the website.

**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

The annual report does not have a section dedicated to responsible investment.

**Total Score:** 1      3  
(14%)      (30%)

**Year's Improvements:**

---

The scheme expanded its SIP to incorporate an improved responsible investment policy, and this SIP is now disclosed in the annual report and on the website.

**Recommendations:**

---

1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The Top 100 Equity holdings.
- The complete voting records and a summary voting analysis.
- A specific and detailed responsible investment monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report on engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

Shell Contributory Pension Fund

<a href="http://www.shell.com">www.shell.com</a>	Rank in Survey	Last Year	This Year
		6	10
		Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>		1	1
The SIP was disclosed to FairPensions.			
<b>2) Equity holdings</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>		0.5	1
Top 100 equity holdings posted on public website.			
<b>3) Annual voting record</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>		0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>		-	1
Shell has not disclosed voting records, but has disclosed a summary analysis of voting on their website.			
<b>4) Responsible investment integration policies</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>		0	0
		-	0
No integrated responsible investment policy or adherence monitoring scheme was found on the website or otherwise disclosed to FairPensions.			
<b>5) The specific engagement strategy</b> (Total = 2 points)			
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>		0	0
		-	0
The scheme has not disclosed any engagement strategy, or specific initiatives on the website or otherwise to FairPensions			
<b>6) Public website</b> (Total = 1 point)			
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>		0.5	0.5
The scheme does not have a section dedicated to responsible investment on its website.			

**7) The specific engagement strategy** (Total = 1 point)

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- The scheme's annual report has a detailed section on responsible investment (1 point) 0      0

The annual report does not have a section dedicated to responsible investment.

<b>Total Score:</b>	2	3.5
	(29%)	(35%)

**Year's Improvements:**

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The Shell Contributory Pension Fund has improved its transparency by publishing a voting analysis and a listing of their Top 100 equity holdings on their public website, along with their SIP.

**Recommendations:**

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1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The complete voting records.
- A specific and detailed responsible investment policy and monitoring regime.
- A specific and detailed ESG engagement strategy, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**Strathclyde Pension Fund**

<a href="http://www.spfo.org.uk">www.spfo.org.uk</a>	Last Year	This Year
<b>Rank in Survey</b>	6	4
	Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	1	1
The fund's SIP is disclosed on its public website.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0	1
The fund's Top 100 equity holdings are disclosed on its public website.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0.5
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	1
The fund has posted a listing of all contentious voting along with a summary analysis of voting on their website.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul>	0.5	1
<ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	-	1
A clear responsible investment policy and monitoring regime is integrated into the SIP and highlighted on the website in extracts.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul>	0	0.5
<ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	-	0.5
The scheme has outlined the foundations of an engagement strategy, but has not defined the initiatives the fund will be targeting sufficiently to meet the standards of the survey.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0.5	1
The governance section of the website leads to various documents relating to Responsible Investment data and policies.		

**7) The specific engagement strategy** (Total = 1 point)

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- The scheme's annual report has a detailed section on responsible investment (1 point)

0 1

There is a section in the annual report that is dedicated to the fund's commitments to responsible investment and engagement.

**Total Score:** 

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 2 8.5  
(29%) (85%)

**Year's Improvements:**

---

The Strathclyde Pension Fund showed the second largest improvement over the 2006 survey. This stemmed from a major effort to enhance and make public responsible investment and engagement policies and practices. The fund is one of only two in the survey to score in every category.

**Recommendations:**

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The Strathclyde Pension Fund was very close to achieving a perfect score on this year's transparency survey. FairPensions recommends that the fund:

- Strengthens its engagement strategy to include the specific environmental, social and governance initiatives on which the fund will focus. With the further development of this engagement strategy, the existing progress reporting system will be an excellent monitor of the fund's commitments.
- Expand the voting records to show all voting (i.e. including contentious and in agreement.)

Universities Superannuation Scheme Ltd

	Last Year	This Year
<a href="http://usshq.co.uk/">http://usshq.co.uk/</a>	1	1
<b>Rank in Survey</b>	1	1
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	1	1
The SIP was disclosed on the public website.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	1	1
The top 100 equity holdings are posted on the public website.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0.5	0.5
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	0.5
The voting records are excellent and informative, but only reflect contentious voting. The new summary voting analysis was only for the UK and US voting at time of deadline, with the fund expressing the intention to expand to global scale for the next reporting period.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul>	0.5	1
<ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	-	1
The responsible investment policy is complete with monitoring, and is an industry leader in its detail and expanse.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul>	1	1
<ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	-	1
The scheme has a full and detailed engagement strategy, with priority initiatives on environmental, social and governance issues, and complete with reports of how these initiatives are progressing.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	1	1
The scheme's website has detailed sections on responsible investment.		



**7) The specific engagement strategy** (Total = 1 point)

---

- The scheme's annual report has a detailed section on responsible investment (1 point)

0.5      1

The scheme's engagement strategy is proudly displayed in its annual report.

<b>Total Score:</b>	5.5	<b>9</b>
	(79%)	<b>(90%)</b>

**Year's Improvements:**

---

USS has remained a progressive leader in this field. Over the past year, it has improved and expanded the public disclosure of its engagement and responsible investment programme.

**Recommendations:**

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USS' voting records should be expanded beyond contentious voting, to include all votes.

**West Midlands Metropolitan Authorities**

	Last Year	This Year
<a href="http://www.westmids-pensions.org.uk">www.westmids-pensions.org.uk</a>	n/a	5
<b>Rank in Survey</b>		
	<b>Scores</b>	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	n/a	1
The SIP is disclosed on the public website.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	n/a	0
Not found on website or otherwise disclosed to FairPensions.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	n/a	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	1
The voting records have not been disclosed. A summary voting analysis is available on the website.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	n/a	1
	-	1
The fund's responsible investment policy and the reporting process is defined in the SIP, and also in documents on the website.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	n/a	1
	-	1
The scheme has an engagement strategy that has a strong environmental emphasis, and is complemented by progress reports.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	n/a	1
The scheme's website has a section for responsible investment.		

**7) The specific engagement strategy** (Total = 1 point)

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- The scheme's annual report has a detailed section on responsible investment (1 point) n/a 1

The annual report includes a section dedicated to responsible investment.

**Total Score:** n/a **8**  
**(80%)**

**Year's Improvements:**

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The West Midlands Metropolitan Authorities was not a part of the 2006 survey, and has performed well in this current year.

**Recommendations:**

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FairPensions recommends the fund:

- Disclose a complete voting record on their website.
- Disclose a complete list of the fund's top 100 equity holdings.

**West Yorkshire Pension Fund**

<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Last Year	This Year
<b>Rank in Survey</b>	4	8
	Scores	
<b>1) The Statement of Investment Principles</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• Complete SIP is disclosed (1 point) <i>or</i></li> <li>○ Only part or a summary SIP is disclosed (0.5 point)</li> </ul>	1	1
SIP disclosed in the annual report and on the website.		
<b>2) Equity holdings</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• 100 or more largest equity holdings are disclosed (1 point) <i>or</i></li> <li>○ 20 or more largest equity holdings are disclosed (0.5 point)</li> </ul>	0	0.5
Top 20 equity listing posted in the annual report.		
<b>3) Annual voting record</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Full voting record is disclosed. (1 point) <i>or</i></li> <li>○ Only contentious votes are disclosed. (0.5 point)</li> </ul>	0	0
<ul style="list-style-type: none"> <li>• Voting analysis is disclosed (1 point)</li> </ul>	-	1
The fund has disclosed a schedule of voting, but does not include the results of the votes. There is a summary analysis available on the website.		
<b>4) Responsible investment integration policies</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• Details on how the scheme's responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)</li> </ul>	0.5	1
<ul style="list-style-type: none"> <li>• Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)</li> </ul>	-	0
The fund has a responsible investment policy, but does not disclose a reporting regime.		
<b>5) The specific engagement strategy</b> (Total = 2 points)		
<ul style="list-style-type: none"> <li>• The specific strategy is disclosed, with priority issues identified (1 point)</li> </ul>	1	0.5
<ul style="list-style-type: none"> <li>• The results of progress of engagement initiatives are disclosed (1 point)</li> </ul>	-	0.5
The fund's engagement strategy provides a foundation for future improvement, but does not describe specific initiatives that the fund is pursuing.		
<b>6) Public website</b> (Total = 1 point)		
<ul style="list-style-type: none"> <li>• The scheme has a public website with a detailed section on responsible investment (1 point) <i>or</i></li> <li>○ The scheme has a public website without a detailed section on responsible investment (0.5 point)</li> </ul>	0.5	0.5
The fund has a public website, but this site does not contain a section dedicated to Responsible Investment.		

**7) The specific engagement strategy** (Total = 1 point)

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- The scheme's annual report has a detailed section on responsible investment (1 point)

0      0

The annual report does not contain a section dedicated to responsible investment.

**Total Score:**      3      5  
(43%)      (50%)

**Year's Improvements:**

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The posting of the fund's voting analysis, and top 20 equity holdings.

**Recommendations:**

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1) A dedicated section for responsible investment on the fund's website. Such a page can provide public disclosure of:

- The complete voting records.
- A specific and detailed responsible investment policy, and monitoring regime.
- A specific and detailed ESG engagement strategies, complete with progress report of engagement initiatives.

2) A section for responsible investment in the scheme's annual reports that outline the policies of responsible investment and the results of it.

**Methodology**

The top 20 pension funds in this survey represent approximately £292 billion of investments, based on their portfolio value found in the 2007 edition of *NAPF Pension Fund and their Advisers*<sup>31</sup>. This is about one-third of the UK's £870 billion pension fund industry. The survey was created to measure pension funds' responsible investment and engagement on ESG issues.

This year's survey is very similar to last year's as seven of the ten questions in the 2007 questionnaire were in the 2006 version. There are minor differences: three important sections of the questionnaire were expanded into two questions, making the survey three questions longer. The questions are designed to form benchmarks that reflect a pension fund's performance on transparency, RI policy initiatives, and targeted engagement.

FairPensions sent out a survey to the management of the pension funds in mid August 2007, inviting funds to grade themselves and provide any additional information, including the fund's SIP or annual reports. Pension funds were given ample opportunity to disclose information such as a Statement of Investment Principles (SIP), their Top 100 equity holdings (dated within the last 12 months), voting records and summary analysis. Research was carried out on the funds' public websites, disclosed documents and the completed questionnaires. If information was not found the point could not be awarded.

The weighting of fund policies and strategies looked specifically at the quality of the disclosure, and the strength of the statement. The focus of question four, regarding the responsible investment policy, was on how the policy was *integrated* into the investment mandate. The second part of that question looks for a detailed monitoring regime with details on the frequency and form of reporting required for a full point.

The fifth question examined engagement strategy and a complete point required specific details on the strategy and priority initiatives. The second part looked for a report on the progress of these priority initiatives. If the initiatives had not been specifically defined in the first part of the question then a report of the results did not show a cohesive process, resulting in half a point only for each.

Once the research had been completed in early October, interim results were released to each of the funds providing a further opportunity for information that had not been disclosed to be made available, and for the results to be discussed and improvements made. Discussions were carried out with many of the funds, and in several cases improvements results / additional information was disclosed. The final cut off date for all changes was on 31<sup>st</sup> October 2007.

The scores in each question reflect the best information available to FairPensions as of 31<sup>st</sup> October, 2007. Every attempt was made by FairPensions to ensure that pension funds had the opportunity to improve their performance or supply the relevant information to increase their score. It should also be made clear that these benchmarks prove the existence of these policies, strategies or regimes, but not the quality of them.

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<sup>31</sup> NAPF, *Pension Funds and their Advisers*. AP Information Services, 2007.

Appendix 2

**Questionnaire for the forthcoming report: “UK Pension Scheme Transparency on Environmental, Social, and Governance Issues, 2007”**

We have listed below the criteria against which pension schemes will be assessed. To help us ensure that all good practice is recognised, it would be helpful if you could indicate to what extent your pension scheme meets the criteria, by ticking the appropriate box(es).

NB: we require evidence of disclosure for each of the criteria (e.g. copy of annual report, link to relevant section of website) in order to give credit. Please let us know in what section of the relevant document / website this evidence can be found if it is not obvious. Feel free to submit any explanatory comments you may have.

Completed questionnaires, comments and documents should be returned to: Transparency research team, FairPensions, Trowbray House, 108 Weston Street, London, SE1 3QB

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**Trustees should annually disclose:**

**1) The Statement of Investment Principles** (Total = 1 point)

- Complete SIP is disclosed (1 point) *or*
- Only part or a summary SIP is disclosed (0.5 point)

**2) Equity holdings** (Total = 1 point)

- 100 or more largest equity holdings are disclosed (1 point) *or*
- 20 or more largest equity holdings are disclosed (0.5 point)

**3) Annual voting record** (Total = 2 points)

- Full voting record is disclosed. (1 point) *or*
- Only contentious votes are disclosed. (0.5 point)
- Voting analysis is disclosed (1 point)

**4) Responsible investment integration policies** (Total = 2 points)

- Details on how the scheme’s responsible investment policy is integrated into fund manager investment mandates are disclosed (1 point)
- Details on how and how often the scheme monitors fund manager adherence to its responsible investment policy are disclosed (1 point)

**5) The specific engagement strategy** (Total = 2 points)

- The specific strategy is disclosed, with priority issues identified (1 point)
- The results of progress of engagement initiatives are disclosed (1 point)

**Transparency should be provided through:**

**6) Public website** (Total = 1 point)

- The scheme has a public website with a detailed section on responsible investment (1 point) *or*
- The scheme has a public website without a detailed section on responsible investment (0.5 point)

**7) The specific engagement strategy** (Total = 1 point)

- The scheme’s annual report has a detailed section on responsible investment (1 point)